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COUNTY ADMINISTRATIVE OFFICE
JUN 10 1978

MELVYN G. WINGETT
COUNTY ADMINISTRATIVE OFFICER

UNIVERSITY OF CALIFORNIA

AGENDA ITEM NO. 25

June 13, 1978

To: Board of Supervisors
Subject: Recommendation to Reset Budget Hearings and
Recommended Immediate Actions Related to the
Impact of Proposition 13

As you are aware, Proposition 13 was overwhelmingly approved by the voters on June 6th. The Proposition basically limits ad valorem property taxes to a maximum of 1% of full cash value on real property. Its impact will be a loss of approximately \$7 billion in available property tax revenue for local agencies throughout California. The impact on Fresno County alone will require the existing Proposed 1978-79 County Budget to be reduced considerably, and will require some additional time and information prior to consideration by your Board.

RECOMMENDATIONS:

It is recommended that your Board:

1. Cancel the June 14th hearings on the Proposed 1978-79 Budget and order publication of the legal notice to set Wednesday, August 16, 1978 at 9 AM as the time at which budget hearings will begin.
2. Instruct the Auditor-Controller to immediately begin examination of the County's existing fee structure, as well as to examine potential areas for new fees for services.
3. Announce your intent not to renew contracts with outside agencies (Social Services, Advertising County Resources, and Miscellaneous Expenditures) until such time as they are considered during budget hearings.

ASSISTANT COUNTY ADMINISTRATIVE OFFICERS

WARREN D. CANTRELL
ADMINISTRATIVE MANAGEMENT
ADMINISTRATIVE SERVICES SYSTEM
FISCAL SERVICES SYSTEM

WILBUR S. WAGSTAFF
PERSONNEL MANAGEMENT DIVISION

DEPUTY COUNTY ADMINISTRATIVE OFFICERS

ERNEST K. MORISHITA
HUMAN SERVICES SYSTEM

ROBERT A. BUTLER
ENVIRONMENTAL MANAGEMENT SYSTEM

STANLEY D. GREENE
JUSTICE SERVICES SYSTEM
EDUCATION RECREATION SYSTEM

4. Request the County Administrative Officer and County Counsel to work with the Valley Medical Center and Department of Health to prepare notices of any required curtailment of health or medical services, or closing of any such facilities, as required by Health and Safety Code, Section 1442, et seq.
5. Request that the State Legislature take immediate action on:
 - a. Legislation to provide for allocation of the 1% property tax revenue in proportion to the average tax levys of the agencies in the last three years.
 - b. Legislation to distribute State fiscal relief to local agencies, and to relieve counties of the costs of State mandates, with priority consideration for those programs proposed by the County Supervisors Association of California (Attachment B).

An immediate effort should be made to communicate these recommendations to appropriate legislators and State officials.

Discussion

Proposition 13 takes effect on July 1, 1978, and its initial direct estimated impact on the 1978-79 Proposed Budget will be to reduce revenue approximately \$39,088,650 (Attachment A). This revised estimate takes into consideration equalization of the 1975 assessment roll, and the County's receipt of its 1977-78 proportion of available property tax revenues under the new 1% limitation.

Due to wording of the initiative, many areas of impact are uncertain, and have required that we make initial assumptions. Some of the major assumptions are outlined below:

Distribution of Available Property Tax. The initiative requires that counties collect the 1% property tax and distribute it according to law. No law currently exists, and the method of distribution will require legislative or court interpretation. We have assumed a receipt of the same proportion as was received by the County in 1977-78. We recommend your Board's support of a distribution of these taxes to local agencies, based upon an average of their tax levys the past three years.

Impact on Unsecured Roll. There is a question as to whether the measure limits the unsecured property tax beginning in 1978-79 or 1979-80. It will ultimately reduce the unsecured tax by approximately \$3 million. We have assumed it will not impact the County until 1979-80. Should this be interpreted otherwise, our estimated reduction in the 1978-79 Proposed Budget revenue would increase by another \$3 million.

Possible State Fiscal Relief. Proposition 13 has no provision for replacement revenues for local government. The Governor, however, has announced plans to propose distribution of State surplus revenues to local agencies. Should the State elect to distribute, proportionate to loss, some \$2.5 - \$4.0 billion of their surplus, it is estimated Fresno County might receive between \$14 - \$31.7 million.

Proposals made by the State administration and the Speaker of the Assembly would channel funds to counties by the State relieving counties, at least temporarily, of certain mandated health, welfare, and court costs. The Board of Directors of the County Supervisors Association of California, on June 10, 1978, endorsed all these proposals and indicated a preference for a permanent "buy out" of counties for the local costs of SSI/SSP, Medi-Cal, AFDC, welfare administration and court costs (Justice, Municipal, and Superior, plus Public Defender and District Attorney). This would cost the State nearly \$1.5 billion, and reduce Fresno County costs by an estimated \$31.7 million (See Attachment B).

This would serve to reduce a major portion of our loss, however, legislative action must be taken in the next two weeks. These proposals, however, are no more than a wish list at this point. There is also a need for a long-range State commitment to allow a stabilization of county programs.

These major unknown factors, coupled with other critical financing issues, such as cash carryover and assessed value, cause us to propose a postponed budget hearing, starting August 16th.

Immediate Administrative Curtailments

In an effort to better the County's fiscal position, we met with County department heads on June 7th, following passage of the Initiative. As a result of that meeting, the following administrative procedures have been implemented:

1. A control on the filling of all vacant positions, as well as control on promotions, reclassifications and upgradings of positions, will be administered by the County Administrative Office. These controls would extend through late August, when the Board would consider and adopt the recommended budget. (Will not impact normal step advancements).
2. Defer capital project expenditures, equipment purchases, and minimize the purchases of material and outside labor on major maintenance projects. Defer or minimize long-range commitments to contracts and rental agreements. These controls would extend through late August.
 - a. By County budget law, the Proposed 1978-79 Budget will serve as the County budget, starting July 1, until the final adoption in August. Excluded as allowable expenditures, however, are those for new permanent employees and fixed assets (land, structures and improvements, and equipment).
 - b. Expenditures for road improvement or construction, including right-of-way acquisition, may proceed in the absence of a final budget.
3. Departments will defer major purchases of supplies, and small equipment not immediately necessary for County operations. The Purchasing Department will monitor purchase orders, and refer them to the County Administrative Office for a decision where necessary.
4. Out-of-County travel not directly required for County operations will be curtailed.
5. Attendance of conferences or training courses not directly required for County operations will be curtailed.
6. Overtime and the use of extra help will be minimized where possible.
7. Efforts will be made to accelerate the collection of monies owed the County from private as well as other governmental agencies.

Contract Services

Due to the many uncertainties of the exact financial impact, we are recommending that your Board not renew contracts with outside agencies in the area of social services, advertising County resources, and miscellaneous expenditures. This will allow your Board the option to consider these expenditures during the August budget hearings, in light of other priority areas within the County operation.

Health and Safety Code, Section 1442, Et Seq - Hearings

State statutes require the Board of Supervisors post a notice 90 days prior to holding a public hearing on the proposed closure of any health care facilities or services. You may recall, the Superior Court required such a hearing in the case of the relocation of the Huron Health Center. At such a hearing, the Board of Supervisors must make a finding that the proposed action will not have a detrimental impact on the health care needs of indigents in the County. Actual reductions can not occur until 60 days after the findings are adopted.

Because of the required procedure, notices should be given concerning proposed reductions in the level of services and health facilities, to insure the Board would have the authority to reduce costs in these areas at the earliest possible date.

Service Reductions

We are recommending that your Board not make any precipitous program reductions until you are presented the revised budget proposal. After consideration of the final 1978-79 budget in August, we would anticipate any necessary layoffs would not occur later than September 15, 1978. We feel this is a prudent timetable for the County to follow, as it will allow:

1. The Board to examine the entire County budget, and to set policy for areas of program reduction.
2. Better knowledge of the financial condition and amount of reduction required (i.e., cash carryover, assessed value, State fiscal relief, etc.).
3. Provide maximum leadtime for orderly attrition in the existing County workforce, as well as time for employees with low departmental seniority to make job decisions and personal plans.

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This approach, however, is not without disadvantages. Under the existing Unemployment Insurance Program, should employees be laid off and a claim filed prior to August 2nd, the Federal government will be responsible for the total cost collected by eligible County employees. Any claims filed during the three-month quarter following August 2nd will require a cost sharing of 25%-County and 75%-Federal.

For this analysis we have estimated the cost of waiting until September 15th for employee reductions, assuming all employees laid off would be eligible and would draw maximum benefits. The costs shown below include the salaries and benefits, annual leave payoff, and maximum unemployment insurance benefits (25% County cost) of waiting 2.5 months into the fiscal year.

<u>Number of Employees</u>	<u>Approximate Cost at 9/15/78</u>
500	\$2,420,000
750	3,630,000
1,000	4,840,000

We feel your Board should take this calculated risk, since these costs, if they materialize, can be absorbed through shifts in Revenue Sharing funds available from cancellation of appropriations. The County has accumulated an unusually large amount of Revenue Sharing funds for major capital improvements, the largest of which is the Fresno Government Center.

Upon your Board's policy direction, we will proceed with preparing a document proposing the necessary reductions in the County budget for presentation and hearing in late August.



M. G. WINGETT
County Administrative Officer

MGW:WEB:1fd

cc: Each County Department Head

Attachments (A and B)

ATTACHMENT A

GENERAL FUND

	<u>1978-79 Proposed Budget</u>	<u>1978-79 Under Prop. 13</u>	<u>Change In Available Financing</u>
Secured Property Tax	\$56,922,153	\$19,209,494	\$ (-37,712,659)
Unsecured Property Tax	4,732,495	4,732,495	-
Homeowners-Business Inventory Reimbursement	8,637,593	3,895,348	(-4,742,245)
Interest	<u>2,453,307</u>	<u>1,717,315</u>	<u>(-735,992)</u>
TOTAL	\$72,745,548	\$29,554,652	\$ (-43,190,896)
Less: Medi-Cal, SSI, Share Reduction due to Lower AV			<u>(-4,102,246)</u>
<u>NET REVENUE LOSS</u>			\$ (-39,088,650)

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ATTACHMENT B

COUNTY SUPERVISORS ASSOCIATION OF CALIFORNIA'S
PRIORITY LIST OF MANDATED
COUNTY COST PROPOSED TO BE
PERMANENTLY "BOUGHT OUT" BY THE STATE:

	<u>Total State Cost</u>	<u>Savings to Fresno County</u>
SSI/SSP County Share	\$ 187 Mil	\$ 3.5 Mil
Medi-Cal County Share	463 Mil	10.8 Mil
AFDC Grants & BHI Payments	365 Mil	8.7 Mil
Welfare Admin. (including Social Services)	176 Mil	1.8 Mil
Court Costs (Justice, Muni, Superior, Public Defender, and D.A.)	<u>300 Mil</u>	<u>6.9 Mil</u>
	\$1,491 Mil	\$ 31.7 Mil

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